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FM AMEMBASSY HARARE  
TO RUEHC/SECSTATE WASHDC 3960  
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE  
RUEHUJA/AMEMBASSY ABUJA 2173  
RUEHAR/AMEMBASSY ACCRA 2574  
RUEHDS/AMEMBASSY ADDIS ABABA 2696  
RUEHRL/AMEMBASSY BERLIN 1187  
RUEHBY/AMEMBASSY CANBERRA 1965  
RUEHDK/AMEMBASSY DAKAR 2320  
RUEHKM/AMEMBASSY KAMPALA 2745  
RUEHNR/AMEMBASSY NAIROBI 5173  
RHEHAAA/NSC WASHDC  
RHMFISS/EUCOM POLAD VAIHINGEN GE  
RUEHGV/USMISSION GENEVA 1863  
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK  
RHEFDIA/DIA WASHDC  
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 04 HARARE 000054

AF/S FOR B. WALCH  
ADDIS ABABA FOR USAU  
ADDIS ABABA FOR ACSS  
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN  
TREASURY FOR D. PETERS  
STATE PASS TO USAID FOR L.DOBINS AND E.LOKEN  
COMMERCE FOR ROBERT TELCHIN

SIPDIS

E.O.12958: N/A  
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SUBJECT: ZIM NOTES 01-23-2009

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1. SUMMARY  
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Topics of the week:

- Talks Remain Deadlocked...
- Zimbabwe Courts Foreign Diamond Investors...
- Zimbabweans Turn to Satellite TV to Watch U.S. Inauguration...
- (Dis)Grace Punches Photographer...
- Cholera Continues...
- Budget to Consider Dollarization...
- Lawyers Threatened...
- Activists Launch Hunger Strike...
- Soldiers Steal Gono's Chickens...
- WOZA Trial Begins...
- Passport Fees Continue to Climb Beyond Reach...
- Court Cases Plod Along...
- Zimbabwe's Inflation Monster Rages on...
- The Zimbabwe Dollar Falls Sharply with the Release of Higher Denomination Notes...
- ZINWA Starts Billing Companies in Foreign Currency...
- Stock Exchange to Dollarize...

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2. Price Movements-Exchange Rate  
and Selected products  
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Parallel rate for cash skyrocketed to between Z\$4 and Z\$15 trillion:US\$1 (NOTE: The cash rate is fluctuating widely depending on the Zimbabwean dollar denominations used. END NOTE.)

Check rate rose to Z\$35 quadrillion:US\$1 against inter-bank average of Z\$30,577,532:US\$1

Bread on the parallel market went up to Z\$15 trillion

Sugar shot up to Z\$45 trillion/2kg

Petrol and diesel rose to Z\$15 trillion/liter

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On the Political/Social Front  
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13. Talks Remain Deadlocked... After 12 hours of SADC-sponsored talks in Harare this week, no progress was made toward a power-sharing agreement between ZANU-PF and the MDC. The parties remain deadlocked over MDC demands for an equitable allocation of ministries, a fair share of governorships, a fair share of senior appointments, a jointly-administered national security council, and the rescission of the appointments of the Reserve Bank governor and the Attorney General. SADC will hold an Extraordinary Summit in Pretoria on January 26 to consider the issue. See Harare 48.

14. Zimbabwe Courts Foreign Diamond Investors... An RBZ-leaked report discusses governor Gono's plan to entice foreign investors to establish mining operations in the conflict-ridden diamond fields of Chiadzwa. The report's wildly optimistic forecast is that the GOZ could generate as much as US\$1.2 billion per month in diamond royalties. Realistically, Chiadzwa could prove to be a temporary source of forex. See Harare 49. Meanwhile, the military is initiating efforts to displace as many as 25,000 residents from their homes in Chiadzwa to control the area and provide the military with village-based housing. See Harare 51.

15. Zimbabweans Turn to Satellite TV to Watch U.S. Inauguration...

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Zimbabwe's only TV station, ZBC, showed an old movie on January 20 rather than the U.S. presidential inauguration. Although some believe the blackout was designed to prevent Zimbabweans from seeing the peaceful transfer of power; others told us privately that no one at ZBC had "the guts" to put it on the schedule. In defiance, Zimbabweans flocked to restaurants and private homes - any place they could find a satellite TV. To date, ZBC has not shown any inauguration footage, including in newscasts. Many here believe Obama's offer to "extend a hand if you are willing to unclench your fist" was directed specifically at Mugabe. Notably, that quote was excluded from official newspaper reports on the inauguration.

16. (Dis)Grace Punches Photographer... While her bodyguards held him, First Lady Grace Mugabe repeatedly punched London Sunday Times photographer Richard Jones in the face outside her luxury Hong Kong hotel on January 15. According to the medical report, Jones suffered cuts and bruises caused by the First Lady's heavy diamond rings. Police are investigating using the hotel's video footage. An Australian tourist said she was "screaming, completely crazy." Known as "Disgrace" by many, the First Lady reportedly took US\$92,000 from the Reserve Bank to finance her luxury vacation; her entourage's Hong Kong hotel stay reportedly cost more than US\$2,500 per night. On January 16, she left Hong Kong to continue her vacation in Malaysia.

17. Cholera Continues... In the most recent update for January 11-17, the WHO reported 6,466 new cases, 420 deaths, and a case fatality rate of 6.5 percent. Cumulative suspected cases now total more than 50,000, with 2,773 deaths as of January 22. The establishment of the WHO-managed cholera control center and the deployment of Bangladeshi diarrheal disease experts have improved reporting and response to the outbreak. In addition, Human Rights Watch released a new report this week calling on the AU to intervene in the government-created and perpetuated crisis. See the full report, "Crisis without Limits: Human Rights and Humanitarian Consequences of Political Repression in Zimbabwe," at: <http://www.hrw.org/en/reports/2009/01/21/crisis-without-limits-0>

18. Budget to Consider Dollarization... The Zimbabwe Independent reported on January 23 that Acting Finance Minister Patrick Chinamasa will introduce a proposed budget in the parliament on Thursday including dollarization. Taxes and duties would be payable in forex and forex payments for school fees would be allowed.

Because of the lack of sufficient forex, coupons with U.S. dollar equivalents would be issued to civil servants and would be redeemable at specified shops.

¶9. Lawyers Threatened... Bulawayo members of Zimbabwe Lawyers for Human Rights (ZLHR) were threatened by unidentified men on January 19. The men claimed ZLHR is working to destabilize the government by representing MDC bandits and criminals and blamed ZLHR for sanctions against members of ZANU-PF.

¶10. Activists Launch Hunger Strike... On January 21, the Save Zimbabwe Now campaign in Zimbabwe and South Africa launched a hunger strike aimed at pressuring SADC and Mugabe to resolve the political crisis in Zimbabwe. Fifty-five religious leaders and activists including Desmond Tutu and Graca Machel are participating in the 21-day protest, although Machel is not fasting.

¶11. Soldiers Steal Gono's Chickens... Six armed soldiers reportedly stole 175 chickens at one of Reserve Bank governor Gideon Gono's farms. Soldiers - who had not been paid on time - told the farm manager Gono owed them money.

¶12. WOZA Trial Begins... Women of Zimbabwe Arise (WOZA) leaders Jenni Williams and Magodonga Mahlangu faced trial in Bulawayo on

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January 22 for disturbing the peace during WOZA protests on June 19, 2004 and October 16, 2008. Their lawyer argued the charges should be dropped based on Supreme Court precedent that one cannot be charged for disturbing the peace in connection with a peaceful demonstration.

¶13. Passport Fees Continue to Climb Beyond Reach... Even Zimbabweans with the means to travel are facing serious difficulties getting passports, now only available with U.S. dollars. A passport now costs US\$670 for an adult and US\$420 for a child.

¶14. Court Cases Plod Along... On January 16, magistrates referred Jestina Mukoko's case to the Supreme Court to examine the constitutionality of her arrest. On the same day, bail for the seven alleged police station bombers was denied in the High Court. However, Justice Karwi became the third judge to rule all seven should be granted access to a private health facility. On Tuesday, Mukoko was unexpectedly taken to a private hospital, only to be taken back to prison hours later, with the IV still in her arm. Others have not been granted the medical access dictated by court orders. Although the High Court reinforced a lower court order granting bail to two abductees, Pascal Gonzo and Tawanda Bvuma, they remain in prison. Separately, three white men who were arrested on January 6 remain in Chikurubi maximum security prison. The trio faces charges of training insurgents at a camp just outside Harare. As in other recent terrorism cases, the men were forced to give videotaped statements without a lawyer present. Although the State did not have enough evidence to present its case in their initial hearing on January 23, the judge granted the State two more weeks to investigate while the men remain at Chikurubi.

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On the Economic and Business Front  
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¶15. Zimbabwe's Inflation Monster Rages on... Although the GOZ has not released inflation figures for nearly half a year, a survey done by the Delegation of the European Commission to Zimbabwe, using a food basket of 18 products for low-income earners, put the year-on-year rate of inflation in 2008 at 41 quadrillion percent. As astronomical as the figure is, it is only a shadow of the 486 heptillion percent calculated by a highly regarded private sector source that has tracked inflation here for years.

¶16. The Zimbabwe Dollar Falls Sharply with the Release of Higher Denomination Notes... The introduction of the ten trillion dollar note on January 16 resulted in another massive drop in the value of the local currency. Due to the lack of low denominated notes, different exchange rates have emerged for low and high notes. The ten trillion dollar note fetches the least advantageous rate for the

Zim dollar seller. The exchange rate fell from Z\$800 billion on January 16 to between Z\$4 trillion and Z\$15 trillion:US\$ by January 23, depending on denomination.

¶17. ZINWA Starts Billing Companies in Foreign Currency... Government anticipated that the Zimbabwe National Water Authority (ZINWA) would raise as much as US\$20 million per month when the parastatal received permission in December, 2008 to bill companies in foreign currency. Businesses, however, are calling the new forex tariff of US\$1 per cubic meter excessive and seeking a substantial reduction in the charges in line with regional best practice of around US30 cents per cubic meter.

¶18. Banks Call for Dollarization of Sector to Survive... The beleaguered banking sector is calling for the dollarization of the sector in line with the rest of the economy. While banks' income is in nearly worthless Zimbabwe dollars, their costs are increasingly U.S. dollar-denominated. Hardly any lending is taking place given

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the harsh operating environment and the collapse of the productive sectors of the economy. Most banks are closing branches and sending employees on leave to cut costs.

¶19. Stock Exchange to Dollarize... On a related note, stockbrokers and investors, too, are pushing for the dollarization of the Zimbabwe Stock Exchange (ZSE) to pave the way for resumption of trading. Trading was suspended on November 21, 2008 to dampen inflation that was being partly driven by paper wealth created on the ZSE. According to the Financial Gazette newspaper, ZSE stakeholders, including government, agreed in principle on January 16, 2009 to dollarize, subject to resolution of knotty issues including valuation of the listed companies to determine floor prices, and exchange control issues.

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Quotes of the Week  
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¶20. "I was celebrating with the rest of the world, but at the same time my own celebration of this landmark inauguration was marred by my sense of sorrow and frustration that this kind of democratic process cannot happen in my own country. I nearly wept. I don't do that easily." -- Exiled Zimbabwean journalist Geoffrey Nyarota on the U.S. presidential inauguration

¶21. "It's how you treat your own citizens, that's where your legitimacy comes from...This is a lesson to our region. We came together to liberate ourselves, but now [we see] that power can pervert you to become precisely the opposite of what led you to become a freedom fighter." -- Graca Machel, former First Lady of Mozambique, wife of Nelson Mandela, and Elder, speaking at the launch of the Save Zimbabwe Now hunger strike in Johannesburg on Jan

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